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FEDERATION OF EUROPEAN SECURITIES EXCHANGES

Press Release
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European exchanges introduce harmonised tick size regimes in Europe

Since March 2009, FESE has been in negotiations with LIBA and some MTFs to harmonise the tick size regimes in Europe (which currently stand at approximately 25 across the EU) in the interest of achieving benefits to the markets, users and investors by simplifying the complexity and number of regimes in place.

From the perspective of each trading venue, strong incentives exist to undercut others in terms of tick sizes, which is not in the interest of market efficiency or the users and end investors. This might, in turn, lead to excessively reduced tick sizes in the market. Excessively granular tick sizes in securities can have a detrimental effect to market depth (i.e. to liquidity). An excessive granularity of tick sizes could lead to significantly increased costs for the many users of each exchange throughout the value chain; and have spillover costs for the derivatives exchanges' clients.

With these considerations in mind, FESE, LIBA and the MTFs involved agreed on a number of potential tick size regimes. They also agreed that FESE would consult with the wider user base of the exchanges with differing needs and business models to understand which regime was the most appropriate. Therefore, FESE launched a Pan-European initiative in May to collect the views of market participants regarding the possibility to reduce the number of tick size regimes across EU equity markets. FESE, LIBA and the MTFs committed to wait for the results of the consultation before adopting any new regime.

Based on the results of this consultation, FESE has met with LIBA and the MTFs on 30 June to present the results and agree on an implementation timeline. FESE committed to:

- Harmonising the tick size regimes for the most liquid stocks;
- Reducing the number of regimes in place to the maximum extent possible ;
- Simplifying the bands; and
- Implementing the changes, together with the users within a range of 2 weeks to 6 months, depending on the needs of the user banks.

FESE is delighted to announce that at today's meeting the commitment presented by its members has been welcomed by LIBA and the MTFs involved in the negotiations. Chi-x, BATS Europe, Nasdaq Europe and Turquoise all committed to adopt the same tables as the domestic venues and not to make any further moves in their tick size regimes before the timetable agreed for each market.

- **Frank Gerstenschläger,** FESE Vice-President and Member of the Executive Board of Deutsche Börse AG, said: "FESE has brokered a compromise today between regulated markets, LIBA members and other trading venues. The agreed solution has the potential to stop the recently initiated 'race to the bottom' with regard to excessively granular tick sizes, and support the liquidity and efficiency of European equity markets. This will eventually benefit our customers and investors alike."

- **Hans-Ole Jochumsen,** Executive Vice President and President of NASDAQ OMX Nordic said: “NASDAQ OMX welcomes the Europe-wide commitment to harmonize tick sizes that was reached today. We believe that the harmonization of tick sizes across borders and marketplaces will benefit all market participants and we will be working closely together with our members to reach best possible result for our Nordic markets (in Stockholm, Helsinki, Copenhagen and Iceland)”

- **Christian Katz,** CEO of SIX Swiss Exchange AG said: "SIX Swiss Exchange supports proposals for European tick size harmonisation providing these are beneficial to the markets and investors and that these benefits are realised in practise. Working in co-operation with our colleagues at other trading venues we achieved a simplified and harmonised tick size structure. This is the right step forward in the evolution of a level playing field for Europe."

- **Jorge Yzaguirre,** Head of Equity Unit at BME said: “With this agreement, market liquidity will be the main factor in deciding where the clients’ orders will be addressed.”

- **Roland Bellegarde**, Group Executive Vice President and Head of European Execution for NYSE Euronext, said: “NYSE Euronext is very pleased that a consensus has been reached today across the industry to simplify and harmonize the tick size in Europe without damaging liquidity which is in the best interests of all our customers, whatever their trading profile. Repetition of the tick size war that took place in the US some years ago would have been detrimental to all parties and could have resulted in an increase in implicit trading costs. NYSE Euronext believes in defending the interests of all its customers whom we thank for their support and comments on this issue.”

Information for the Editor:

The Federation of European Securities Exchanges (FESE) represents 42 exchanges in equities, bonds, derivatives and commodities from all EU Member States, Iceland, Norway and Switzerland as well as 7 Corresponding Members from European emerging markets. FESE is a keen defender of the Internal Market and many of its members have become multi-jurisdictional exchanges, providing market access across multiple investor communities. FESE represents public Regulated Markets. Regulated Markets provide both institutional and retail investors with transparent and neutral price-formation. Securities admitted to trading on our markets have to comply with stringent initial and ongoing disclosure requirements and accounting and auditing standards imposed by EU laws.

To date, FESE members have up to 12,321 companies listed on their markets, of which 11% are foreign companies contributing towards the European integration and providing broad and liquid access to Europe’s capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access the capital markets; 2,289 companies are listed in these specialised markets/segments in equity, increasing choice for investors and issuers.

FESE is registered with the European Commission's 'Register of Interest Representatives'. FESE is also a founding member of the European Capital Market Institute, the European Parliament Financial Services Forum and the European Corporate Governance Institute.

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